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- (1) Corrected copy: Opinion column by Atsuyuki Sassa: Wishing for a McCain victory

SANKEI (Page 13) (Full)
March 28, 2008

Atsuyuki Sassa, first director of the Cabinet Security Affairs Office

Media's biased way of reporting

The way the Japanese media are reporting on the United States presidential election campaign lacks fairness. From the beginning, the media here have taken it for granted that the likely Republican nominee, John McCain, will lose the election because of the Bush administration's failure in the Iraq war. Japanese dailies and television news programs seem to eagerly focus their reporting on this one simple question: Which candidate will be chosen -- Hillary Clinton as the first woman president or Barack Obama as the first black American president? McCain's full name has rarely been seen either in newspapers or on TV here in Japan. He has been treated as if he were an unlikely candidate.

I wonder, however, whether McCain is a candidate unlikely to win. I don't think that American democracy, which has a mere 200-year history, is mature enough to easily accept a woman or black president. There might even be a worst-case-scenario reaction to Obama down the road.

McCain is a WASP and the ruling Republican Party's likely nominee. He fought in the Vietnam War, piloting a carrier-based jet aircraft. But he was shot down and captured. After surviving five and a half years of torture and maltreatment as a prisoner of war in North Vietnam, the former lieutenant commander emerged as a hero. McCain also has served in both houses of the Congress and is now a senator. He lost a close-fought battle to George W. Bush in the 2000 Republican presidential campaign. When the 71-year old veteran politician John McCain clashes at the polls with either the first female or first black presidential candidate, I wonder which

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candidate American voters will choose in the end.

The Japanese media, presuming that McCain will lose the election, have been extensively covering the "Obama fever" that started in Obama City in Fukui Prefecture. But I whether it extensive space in the newspapers or the time on TV devoted to Obama is appropriate.

Media need to give analytical report on candidates' policies

Although the presidential election will take place in another country, the outcome over the next four years could greatly affect Japan, which is exposed to a number of threats from China and North Korea,. Japan has been in effect shut out from the six-party talks since it proposed to deal with the nuclear, missile, and abduction issues together there. A most desirable scenario for Japan would be that a candidate who sides with Japan will be elected as U.S. president.

The Prime Minister's Official Residence (Kantei) and the Ministry of Foreign Affairs (MOFA) refrain from making comments on any of the candidates, because doing so would constitute interference in the internal affairs of another country. But it is my belief that the role of mass media is to at least give an analysis of each candidate's policies toward Japan and China in light of Japan's national interests, and then to explain who would be the best for Japan in terms of merits and demerits.

Judging from speeches by Clinton and Obama, their policies toward Asia attach importance to China. They hardly mention Japan and the Japan-U.S. alliance. If either were to win, I presume Japan-U.S. relations would become cool. Meanwhile, McCain, who is called a maverick, stresses in his speeches the need to strengthen the Japan-U.S. alliance, gives support to Japan's bid for a permanent seat on the United Nations Security Council, raises opposition to Putin's hegemonism, is a strong diplomatic interventionist, and emphasizes the importance of resolving Japan's abduction issue from a humanitarian standpoint. McCain is the only politician in the Republican Party who advocates environmental protection and the necessity of measures to prevent pollution. Because he was a military officer who had a tough wartime experience, he is realistic about the Iraq war.

I believe McCain is the person Japan needs to have as U.S. president. He may be a second Theodore Roosevelt, who opposed the Russian Empire's hegemonistic policy at the time of the Russo-Japanese War 100 years ago.

McCain broad-minded enough to accept advice

When the Taft-Katsura Agreement was signed in 1905, Theodore Roosevelt was supportive of Japan. In contrast, the present-day Bush-Rice-Hill appeasement policy toward China and North Korea that allows China control over Korean Peninsula matters, appears to be just the opposite of that agreement. Coincidentally, McCain cites Roosevelt as the politician he respects the most. If McCain wins, pro-Japanese Republicans, including former Deputy Secretary of State Armitage, will return to the official political scene. The vice president, the secretary of state, the secretary of defense, and other key officials for the White House and Pentagon would be chosen from among those who attach importance to Japan.

On Jan. 8, 1990, as a former chief of the Cabinet Security Affairs

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Office, I attended a meeting of high-level defense officials from Japan and the U.S. held at the official residence of then Ambassador to Japan Armacost. There, I argued with McCain, who participated in the meeting as chair of the U.S. Senate Foreign Relations Committee. McCain, who was short in stature but had a tough, masculine face, sharply criticized Japan's lack of efforts to defend itself. He even posed this question to the Japanese side: "What if the U.S. Congress resolved to abandon the Japan-U.S. Security Treaty?"

I then told McCain: "I support the security treaty, but if the U.S. notifies Japan it is scrapping it, Japan would without delay amend the Constitution introduced by General MacArthur and go nuclear." McCain said, "Well, what do you think I should do?" I answered him bluntly: "Stay out of this matter." To my surprise, McCain, who is known as a person of violent temperament, accepted my impolite advice, saying, "That is a frank opinion. I'll do so." I was struck by his broad-mindedness. Since then I have had a high opinion of him.

(2) Cutting off his retreat, prime minister on offensive regarding integrating road revenues into general account, Ozawa's "betrayal" helped him snap out of talks with DPJ

SANKEI (Top play) (Abridged slightly)
April 1, 2008

Prime Minister Yasuo Fukuda held a press conference yesterday evening in which he reiterated that the government "will integrate all road-related tax revenues into the general account starting in fiscal 2009." Since his assumption of office, Prime Minister Fukuda has been fixated on talks with Democratic Party of Japan President Ichiro Ozawa. Nevertheless, given little hope that that approach will produce any positive result in view of the DPJ's intention to topple the Fukuda administration, the prime minister made the first move by jettisoning his humble attitude to go on the offensive. At the same time, pressed by the need for containing the junior LDP members who attempted to revolt against the party decision for a review of road-use revenues and for restoring his grip on the party, the prime minister has "cut off his retreat," according to a senior LDP member. Turbulent developments are likely to unfold in the second round of the "gasoline Diet."

The selection of a new Bank of Japan governor prompted Fukuda to shift away from his "modest attitude."

On March 20, Spring Equinox Day, the prime minister met at his official residence with former Chief Cabinet Secretary Kaoru Yosano and former LDP Secretary General Hidenao Nakagawa -- his private advisers -- and separately exchanged views with them.

In the meetings, Fukuda revealed that he had discussed with Ozawa on the phone the appointment of the new BOJ governor, adding that he repeatedly confirmed that the DPJ would endorse the government's

nomination of Muto. Much time was spent on grumbling about Ozawa's last-minute about-face, saying: "Mr. Ozawa promised that he would unify views in the party on appointing former Administrative Vice-Finance Minister Toshiro Muto."

The day before, on March 19, Fukuda dined with LDP Policy Research Council Chairman Sadakazu Tanigaki and others in which the prime minister said: "I nominated Mr. Muto because a certain DPJ heavyweight said that he would pull the four top DPJ executives

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together on his nomination." The heavyweight apparently was Ozawa.

"The prime minister has been on the offensive since that day," Nakagawa said.

On the night of March 24, Fukuda invited LDP executives to his official residence.

When the subject turned to the fate of road-use revenues, Election Strategy Council Chairman Makoto Koga, the "don" of the road policy clique in the LDP, said: "We must build the highways that are necessary." Diet Affairs Committee Chairman Tadamori Oshima softly rebutted Koga, saying: "We need to come up with bold proposals that force the DPJ to come to the negotiating table."

After hearing their views, Fukuda declared, "We will face a moment of truth this week."

On the night of March 25, LDP factional leaders, including Nakagawa, former Secretary General Tsutomu Takebe, Lower House Steering Committee Chairman Takashi Sasagawa, assembled together at a Japanese restaurant in Tokyo's Akasaka district. The members were all alarmed at moves by LDP junior members, including Reform Acceleration Parliamentary League Chairman and former State Minister for Science and Technology Policy Yasufumi Tanahashi, to oppose a second Lower House vote on revenue-related bills, seeking a shift of road-related revenues to the general account.

Some members voiced, "If the junior members revolt against the party decision, we would not be able to secure the two-thirds majority needed for an override," or "In order to contain the moves of junior member, the prime minister needs to announce his resolve."

Keenly aware of the administration's risk of collapsing, the members agreed in principle to integrate all road-related revenues into the general account starting in fiscal 2009 and maintain the provisional tax rates on the condition that part of them is used for measures to combat global warming.

On March 26, Nakagawa briefed Fukuda on what was discussed the day before. Fukuda was convinced that party members would band together, concluding that he obtained seals of approval from all factions in the party. On March 22, former Prime Minister Junichiro Koizumi noted, "If the prime minister decides to make some compromises based on the integration approach with the aim of coming up with a good plan, party members would rally together under him." This comment, too, seems to have encouraged Fukuda, according to his aide.

On the morning of March 27, some 30 junior LDP members, including Taro Kono, confirmed the policy course of opposing a second vote unless a shift of all road-related revenues into the general budget is ensured. In the afternoon, the group handed their "resolve" to the prime minister. Looking at their resolve, Fukuda, who loves baseball, said cheerfully: "This is a slider right in the middle of the strike zone." Fukuda held a press conference an hour and a half later in which he announced a set of plans that were largely the same as the junior group's resolve, thereby containing the junior members' move to revolt against the party decision.

The prime minister held a news conference at the Prime Minister's Office (Kantei) last night in which he criticized the DPJ, which calls for scrapping the provisional tax rates, saying: "Courting

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public favor is easy, but such an approach would end up forcing future generations to pick up the tab for it." Meanwhile, Koga quietly told reporters earlier yesterday: "Although I have my own thinking, I would like to respect party unity and its direction."

(3) Japan, the civil engineering state, finds itself at turning point with Prime Minister Fukuda's proposal to turn tax revenues for road projects into general funds

MAINICHI (Page 3) (Abridged)
March 31, 2008

Prime Minister Yasuo Fukuda declared he would turn the revenues now designated for road construction into general account funds in fiscal 2009. If implemented, this proposal could mean a shift from the previous policy that has continued for a half century and would change the way politics has been carried out so far in Japan, which has been called a civil-engineering state. The Mainichi looked into what underlies the argument seeking to turn revenues for road projects into the general funds.

Junior LDP lawmakers supportive of Fukuda's proposal

On March 27, ahead of a news briefing for him to announce a new proposal on road-specific tax revenues, Fukuda was visited by a group of some 30 junior lawmakers of the ruling Liberal Democratic Party (LDP), including House of Representatives member Masaaki Taira. They presented a proposal calling for incorporating road-specific taxes into the general account budget. Their proposal was almost the same as Fukuda's.

Taira said: "Bureaucrats have handled the taxes designated for highway building as if such money were their own. This has led to the public's distrust of politics. In order to restore the public's confidence, we think there is no way other than to turn those taxes into general account funds, disclose information, and gain better control." Some pointed out their concern that the prime minister may find himself isolated (because of the proposal), but they assured him that many in the LDP support the notion of turning road taxes into the general revenue.

The system of setting tax revenues aside for road construction started in 1954 with legislation created by lawmakers, including former Prime Minister Kakuei Tanaka. In 1974, provisional tax rates to hike tax rates for gasoline and other items were established and have continued until today.

With taxes designated for highway projects, road construction, which had been delayed until then, made headway and helped Japan to become an economic giant.

However, the negative aspects of designated road-tax revenues had a eroding effect on politics. A number of "mini-Kakuei Tanakas" appeared: politicians who brought in contractors to carry out public works projects in cooperation with the Ministry of Land, Infrastructure and Transport (MLIT, formerly the Ministry of Construction). By mobilizing people and using the tax money, contractors backed the mini-Kakuei Tanakas when they ran in elections.

In the medium-sized constituency system, where LDP lawmakers had to fight each other, the question of how many public works projects

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politicians were able to bring to their districts decided how many votes they were able to get. The champion of this mechanism was the Takana faction, the predecessor of the Takeshita faction, which was taken over by the Tsushima faction.

But this situation changed with the introduction of a single-seat constituency system in the Diet's Lower House in 1994. Under this system, candidates have to garner 50 PERCENT or more votes of the whole to be elected. This means that getting votes from only a certain industry is not enough.

Because of this new circumstance, a mid-level House of Representative member argued: "That's why there is no merit in staking the fate of the government on protecting tax revenues designated for road construction."

Fukuda has been under pressure from lawmakers linked with the road construction lobby, one of whom told him: "You are well aware who helped establish the Fukuda administration, aren't you?"

Prime Minister Junichiro Koizumi tackled the privatization of public road corporations. In December 2005, his administration came out with guidelines for a review of road-specific taxes. Former Prime Minister Shinzo Abe, as well, sought to put taxes designated for road works into the general account budget.

Those tax revenues resemble a purse that MLIT can use freely, but once the moneys are moved into the general account, how the funds are spent will be strictly examined. The purse may not contain as much money as it did before.

Masajuro Shiokawa, finance minister in the Koizumi administration, was the policymaker who triggered debate on the question of moving road-related taxes into the general account. He said: "I pointed out this matter even before joining the Koizumi cabinet, but regrettably, the Fukuda faction (predecessor of the Machimura faction) was too small to press the issue. When I served as education minister, I tried to use a portion of the road-related tax revenues for (the construction) of educational facilities, but my proposal was turned down. Politics under Koizumi (which called for putting road-related tax revenues into the general account) aimed at rejecting the way the Tanaka faction carried out politics."

At the end of last year, a 59-trillion yen mid-term road construction program, which the major opposition Democratic Party of Japan (DPJ) was expected to oppose, was approved without any loud objection. Why?

On the night of Dec. 26, Chief Cabinet Secretary Nobutaka Machimura, LDP Election Strategy Committee Chair Makoto Koga, LDP Policy Research Council Chairman Sadakazu Tanigaki and others gathered together at a Japanese restaurant in Tokyo.

According to one participant, Koga told Machimura in the gathering: "You are well aware of who helped establish the Fukuda administration, aren't you?"

Koga is a leading player in the clique of road-policy specialists. As chairman of the Election Strategy Committee, he is expected to lead a campaign strategy for the next Lower House election. He has already toured 42 prefectures across the country with that road construction program in hand and has called on various

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organizations, such construction industry associations in each region, to back the LDP.

Unlike the Koizumi administration, which was supported by its high popularity with the public, the Fukuda administration was established based on a consensus reached among party factions. Will Fukuda be able to defy the kingpin of the road interest lawmakers in the Diet whom he relied on in the presidential election? Fukuda's determination in this regard will be shortly put to the test.

DPJ aims at destroying the structure of LDP's conventional power base

The DPJ has been dwelling only on the question of the provisional gasoline tax, but "the party's principal aim" is not just to abolish that tax but to move the funds into the general account, DPJ Tax Research Council Chair Yasuhisa Fujii said.

The DPJ issues a booklet titled "Reform of the Tax Revenues for Road Projects" in February of this year. The pamphlet states that scrapping the provisional taxes is not the ultimate party goal. The party eyes policies that will be implemented after the road-related tax revenues are placed into the general account."

The DPJ-sponsored bill for reform of the current system for the road-specific tax revenues, already submitted to the Upper House, is featured by three elements: abolishing the provisional tax rates; shifting the road tax revenues into the general account; and ending the system for local governments to pay a portion of the costs for projects under the direct control of the central government.

The DPJ's bill is intended to make up for a decline in tax revenues that will be caused by the scrapping of the provisional tax rates. The bill also aims to move the road-specific tax revenues into local governments' tax revenues so that central government officials and legislators linked with the road construction lobby will hand off those tax revenues.

The DPJ thinks that the LDP has put local governments under its control with certain LDP lawmakers holding the purse strings of special tax revenues so that they can distribute them to local governments. The DPJ's analysis is that in order to gain the reins of government, it needs to destroy the structure of the LDP's conventional power base linked to industrial circles and heads of local governments.

Fujii said: "DPJ President Ichiro Ozawa is a direct disciple of Kakuei Tanaka, who established the system of tax revenues for road projects. He and I, who has served as a secretary to Chief Cabinet Secretary Susumu Nikaido in the Tanaka cabinet, are both trying to

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change this system."

In Diet debate, the DPJ focused its efforts on calling for moving the road tax revenues into the general account, but at the end of the fiscal year 2007 (meaning at the end of March of this year), the party shifted its efforts to call for scrapping the provisional tax rates. It did so presumably because of its calculation that gasoline price cut would draw the public's attention, and thus lead to toppling the government.

In this regard, former DPJ President Seiji Maehara made this critical comment: "It's strange to stubbornly insist on scrapping

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the provisional tax rates. Moving the road-specific tax revenues into the general account is the essence of the reform."

Fukuda reportedly has stated that despite the DPJ's opposition, he intends to incorporate the road tax revenues into the general account. A worst-case scenario would be that the prime minister's proposal will be left in limbo, caught in a crossfire between Ozawa and Diet members linked to the road construction lobby.

(4) Economy at standstill with politics casting shadow;
Repercussions of rapid slowdown of U.S. economy; Appreciation of yen, falling stock prices, rise in raw material prices working as setbacks

NIKKEI (Top Play) (Excerpts)
March 30, 2008

The economy is showing clearer signs of stagnation. It is most likely that the U.S. economy has entered a recessionary phase due to the aggravated subprime mortgage crisis. As a result, Japan is facing triple trouble, with the appreciation of the yen, falling stock prices and rises in raw material prices. With the corporate sector, the locomotive of the economy, losing steam, personal consumption is seesawing. Exports are still robust, but the mechanism of the virtuous circle of the economy is weakening. The dysfunction of politics is also casting a pall over the economy. Will the economic expansion, the longest in the post-war period, enter a temporary lull or will it recede? The Japanese economy now stands at the crossroads.

Company-led virtuous circle weak

As the corporate sector clearly slows, the virtuous circle of

production, income and spending, as the Bank of Japan has put it, is weakening.

The primary reason for that is the rise in crude oil prices. Leading power companies were forced to revise down their projection for business performance for the present term, as they did so when they released their interim settlement of accounts.

The second reason is the worsened corporate sentiment due to the plunges in stock prices. Companies have postponed capital spending, as can be seen in the fact that banks and securities houses have forgone the openings of branch offices. Okamura Corp., for instance, expects a drop of 3 billion yen in group operating profits in the term ending in March 2008 from the estimated amount.

The third setback is the appreciation of the yen. According to the projection by the Nomura Securities Financial and Economic Research Center, the current account profit of 347 leading companies in fiscal 2008 would increase 6.4 PERCENT, compared with fiscal 2007. However, the calculation is based on the exchange rate of 107.5 against the dollar. If the yen makes a 1-yen gain, the estimated current account profit would drop 0.5 PERCENT.

According to corporate statistics, the current account profit of all industries up until the October-December quarter last year fell below the previous term for two consecutive quarters. Capital spending remained in the negative territory for two quarters in a row. With their driving force deteriorated, the corporate sector's power to produce a spillover effect on the household economy is on

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the brink of collapse.

The possibility of the Japanese economy, which has been continuing to expand since February 2002, entering a recessionary phase would increase, if the downward pressure of the recession of the U.S. economy works.

One of the few bullish factors is that exports, mainly developing country-bound exports, remain brisk.

Japanese-made high-speed cameras are popular in Turkey and Israel. Photron, a video equipment manufacturer is marketing those cameras for the use of the research and development of automobiles. It expects that the current account profit for the term ending in March this year will be 1.5 times the previous term.

Robust exports to developing countries propping up Japanese economy

The Cabinet Office in the monthly economic report for March noted that the economy has entered a temporary lull. However, unlike the two temporary lulls the Japanese economy experienced in the past, exports are robust this time. While the ratio of U.S.-bound exports to entire exports in 2007 dropped to 20 PERCENT, the lowest level in the post-war period, Asia-bound exports posted the highest ratio of 48 PERCENT. There is also an enhancing factor -- the yen is still weak against the euro, though the appreciation of the yen against the dollar has advanced.

Exports are a major player in boosting the economy. They hold the major key. If U.S.-bound exports further drop, resulting in an overall drop in exports, the Japanese economy would enter into recession. If exports to other regions, such as Asia and Europe, replace U.S.-bound exports, a recession could be avoided. The Japanese economy is at a standstill with bullish factors and negative factors being on a tug of war. It is not known which factors will overwhelm.

The slow political move and dysfunction are also working as setbacks. In the U.S. the Bush administration is becoming cautious about such policies as directly investing in individuals or banks battered by the subprime mortgage crisis with the presidential election just ahead. In Japan, the post of Bank of Japan governor has been left vacant. The ruling and opposition camps remain at odds over the special-purpose road construction revenue issue.

The Japanese economy has overcome a triple surplus -- employment, facilities and debts. Even if it enters a recession phase, it has strength to emerge from the recession in a relatively short period of time. However, disrupted economic policy could act as a drag on the real economy. There is now urgent need for normalizing economic policy.

(5) U.S. sailor admits to investigators that he killed Yokosuka taxi driver

ASAHI ONLINE (Full)
13:47, April 1, 2008

It became clear today that a 22-year-old U.S. sailor of Nigerian nationality based at Yokosuka Naval Base whose credit card was found in the taxi of a slain driver in Yokosuka, Kanagawa Prefecture, has generally admitted to U.S. military investigators that he had killed

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the driver. Kanagawa prefectural police will soon ask the U.S. Navy to let them question the sailor.

The body of the taxi driver, Masaaki Takahashi, 61, was found at around 9:20 p.m. March 19. Previously, the seaman told the U.S. Naval Criminal Investigation Service (NCIS) that at around that time, he had been at a restaurant on Dobuita-dori Street (several hundred meters away from the crime scene) and that he had lost his credit card before March 19, denying involvement in the case.

Nevertheless, according to a person concerned, the sailor hinted at his involvement in the case, saying to his Nigerian friend on the cell phone, "I did it," and "I stabbed him."

The possibility has also emerged that the knife (with a 20 centimeter blade) used in killing Takahashi is the same as the one that disappeared from the home of a female acquaintance of his in Tokyo.

SCHIEFFER